SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Cardoza | Analyst: Marion Mann DeJong | Bill Number: AB 9

Related Bills: AB 94 (1998) | Telephone: 845-6979 | Amended Date: 02/18/1999

Attorney: Doug Bramhall | Sponsor:

SUBJECT: Gun Safe Credit

_____ DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _________.

_____ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

__X__ AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced December 7, 1998.

_____ FURTHER AMENDMENTS NECESSARY.

_____ DEPARTMENT POSITION CHANGED TO ________________________.

__X__ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED December 7, 1998, STILL APPLIES.

_____ OTHER - See comments below.

SUMMARY OF BILL

This bill would create a tax credit for Personal Income Tax (PIT) taxpayers equal to $150 each for up to two gun safes purchased new by the taxpayer each taxable year. This bill also would require the Franchise Tax Board to report annually to the Legislature regarding this credit.

SUMMARY OF AMENDMENT

The February 18, 1999, amendments moved the period that the credit is operative out one year and deleted the requirement that the taxpayer be a California resident. These amendments resolved the Constitutional consideration raised in the department's prior analysis.

Except for the Effective Date, Constitutional Consideration and Tax Revenue Estimate, the department's analysis of the bill as introduced December 7, 1998, still applies. A revised Effective Date and Tax Revenue Estimate are provided. A new policy consideration is raised as a result of the amendment that resolved the Constitutional issue. In addition, the department's implementation considerations and position from the prior analysis are reiterated below.

EFFECTIVE DATE

As a tax levy, this bill would become effective immediately and would apply to taxable years beginning on or after January 1, 2000, and before January 1, 2004.

TAX REVENUE ESTIMATE

Based on data and assumptions discussed below, this bill would result in the following revenue losses under the PIT law.

Board Position:

_____ S	_____ NA	_____ NP
_____ SA	_____ O	_____ NAR
_____ N	_____ OUA	__X__ PENDING

Department/Legislative Director — Date

Johnnie Lou Rosas — **2/26/1999**

Estimated Revenue Impact of AB 9 As Amended 02/18/1999 [$ In Millions]		
1999-2000	2000-2001	2001-2002
negligible loss	($2)	($2)

The bill would be effective with taxable years beginning on or after January 1, 2000, with enactment assumed after June 30, 1999.

This analysis does not consider the possible changes in employment, personal income, or gross state product that could result from this measure.

TAX REVENUE DISCUSSION

The revenue impact of this bill would be determined by the number of new gun safes (as defined and limited by the bill) that are purchased by taxpayers, the credit amount (specified as $150 for each safe purchased), and the amount of credits that could be applied to reduce tax liabilities.

This estimate changed from the estimate in the department's prior analysis because the amendments moved the operative date out one year. The amendments also would allow nonresident taxpayers to claim the credit. Allowing nonresident taxpayers to claim the credit has a negligible impact on the prior estimate. The revenue discussion in the analysis for the bill as introduced still applies.

POLICY CONSIDERATION

The amendment to eliminate the requirement that the credit be limited to a California resident creates the opportunity for nonresidents to claim the credit for safes located in other states.

IMPLEMENTATION CONSIDERATIONS

This bill would raise the following considerations:

- The bill would require the combination or key lock on the gun safe to be listed by the Underwriters' Laboratories Inc. Taxpayers may not know whether the safe they purchased meets this qualification, and auditors may have difficulty verifying the safe met this qualification.

- The bill would require the "taxpayer" to use the safe for personal, noncommercial use. It is unclear whether the author intends to allow partnerships, estates and trusts, and limited liability companies to claim the credit or intends to limit the credit to individuals. The term "taxpayer" would include all entities subject to tax under the PIT law. Further, it is unclear whether both spouses could claim the credit when a joint return is filed (for $150 credit for each spouse) or whether a single credit would be divided between the spouses.

- This bill would provide an unlimited carryover of excess credit amounts. Since tax credits are usually used within eight years, most recently enacted credits contain limited carryover provisions, usually eight or ten years.

BOARD POSITION

Pending.